

CITY OF TIPTON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004

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CITY OF TIPTON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald Young	Mayor	December 2007
Shirley Kepford	1 st Ward Council Person	December 2007
Ellis Stonerook	2 nd Ward Council Person	December 2005
David Starr	3 rd Ward Council Person	December 2007
Donald McGlaughlin	At Large Council Person	December 2007
Glenn Eaton	At Large Council Person	December 2005
Richard Schrad	City Manager	
John Foley	Clerk, Collector	
Lorna Fletcher	Finance Officer/ Assistant City Clerk	
Doug Boldt	Director of Public Works/ Zoning Administrator	
Virgil Penrod	Gas Superintendent	
John Packwood	Electric Superintendent	
Roger Hakeman	Chief of Police	
L.E. Dendinger	City Attorney	Indefinite

CITY OF TIPTON

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tipton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 10, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2004 on our consideration of the City of Tipton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 20 and 44 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the previous year (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tipton provides this Management's Discussion and Analysis of its financial statements as a narrative overview of the financial activities for the fiscal year ended June 30, 2004. Readers are encouraged to consider this information in conjunction with the City's Financial Statements which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. Following this year, comparisons will be more meaningful and will provide greater detail in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets decreased by \$2,157,193 or 30.6% at the close of the fiscal year 2004. Governmental Activities cash basis net assets decreased by \$2,309,598 due largely to unreceipted proceeds of \$2,238,118 from an Iowa State Revolving Fund (SRF) revenue bond to finance the majority of construction costs for a new West Side Wastewater Treatment Facility. SRF proceeds were received shortly after the June 30, 2004 close of the fiscal year. If SRF proceeds had been received within the 2003-04 FY, the City's total cash basis net assets would have increased \$80,925 or 1.15%.
- City Government Activities revenues decreased \$134,602 or 14.7% when compared to fiscal year 2003. Significant changes to receipts occurred in the loss of population allocations and bank franchise fees from the State of Iowa (\$84,654), and special assessments (\$23,682) due to normal phase out of assessments.
- General Government Activities expenditures decreased \$80,346 or 6.3% during this same period. A \$59,021 reduction in public works related to deferred maintenance on the City's sanitary sewer collection system. (For a more complete discussion of this, please refer to Economic Factor and Next Year's Budgets and Rates in this report). All other activities saw a decline in expenditures except Public Safety which experienced a 4.7% increase. The \$54,256 deficiency of revenues was provided as a part of transfers in from the City's business type activities.
- Business-type activities (the City's enterprise funds) operating revenues increased by \$200,003 or 3.6% while direct operating expenses decreased \$289,272 or 6.3% when compared to last year.
- The City has \$5,513,809 in long term debt compared to \$6,316,111 at the close of FY 2003. Of this debt, \$320,000 is general obligation debt payable by property tax levy. An additional \$320,000 general obligation debt for street improvements is being paid by Road Use Tax (RUT) revenues. The remainder of the debt is revenue bond issues being paid by service fees for water, sewer, and electric utilities.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Cash Basis Net Assets (Exhibit A). This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Government Fund Financial Statements (Exhibits B & C) tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- The Proprietary Fund Financial Statements (Exhibit D) tell how business-type activities were financed in the short term as well as what remains for future spending.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information provides budgetary comparison schedules of receipts, disbursements, and changes in balances for all Governmental and Proprietary Funds.
- Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting procedures. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the more important questions asked about the City's finances is: "Is the City as a whole better or worse off as a result of the fiscal year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question. The Statement presents the City's net assets. Over time, increases or decreases in the City's net assets may service as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two different kinds of activities:

- Governmental Activities including public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants and disbursements finance most of these activities.
- Business Type Activities include the utilities such as electric, natural gas, water, sewer, and garbage collection. These activities are primarily financed by user charges.

Fund Financial Statements

The City has two types of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending in the following year. The governmental funds include: 1) The General Fund, 2) The Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) The Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
 - The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balance.
- Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains a number of enterprise funds to provide separate information for electric and gas funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.
 - The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.
 - Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, dropping from \$3,935,402 to \$1,625,804. The greatest single factor affecting this reduction was the timing of the receipt of \$2,238,118 of proceeds from an Iowa State Revolving Fund Loan for the construction of a wastewater treatment facility. The proceeds arrived after the close of the 2003-04 FY and would have accounted for 97% of the reduction. The analysis following focuses on the changes in cash balances for governmental activities.

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

GOVERNMENTAL ACTIVITIES

Receipts and Transfers:

Program receipts:

Charges for service	\$ 116,199
Operating grants, contributions and restricted interest	398,247
Capital grants, contributions and restricted interest	1,067,933

General receipts:

Property tax	899,046
Local Option Sales Tax	184,995
Grants and contributions not restricted to specific purposes	13,774
Unrestricted investment earnings	47,791
Rent and lease income	1,200
Special assessments	5,994
Sale of capital assets	7,500
Miscellaneous	23,802

Interfund loans	137,031
Transfers, net	<u>444,125</u>

Total receipts and transfers	<u>3,347,637</u>
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Disbursements:

General government:

Public safety	720,348
Public works	357,816
Culture and recreation	267,677
Community and economic development	27,501
General government	355,943
Debt service	347,826
Capital projects	<u>3,590,124</u>

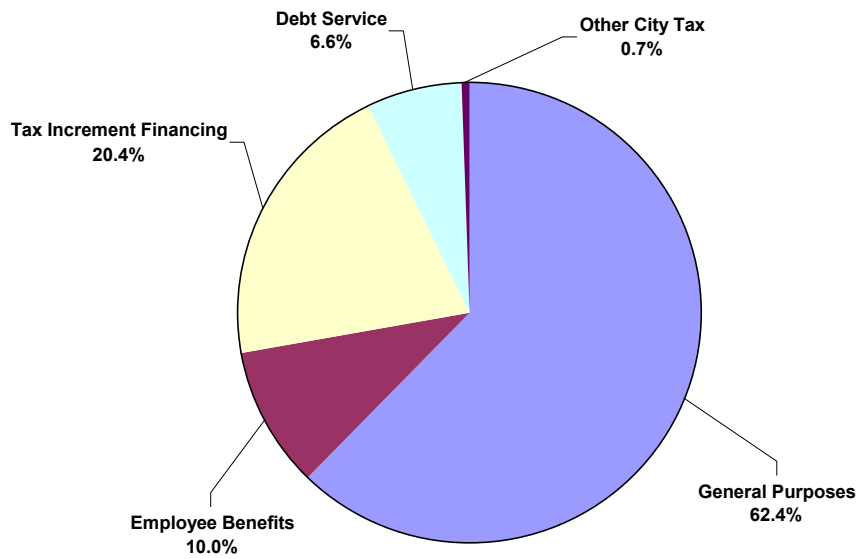
Total general government disbursements	<u>5,657,235</u>
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Change in Cash Basis Net Assets	(2,309,598)
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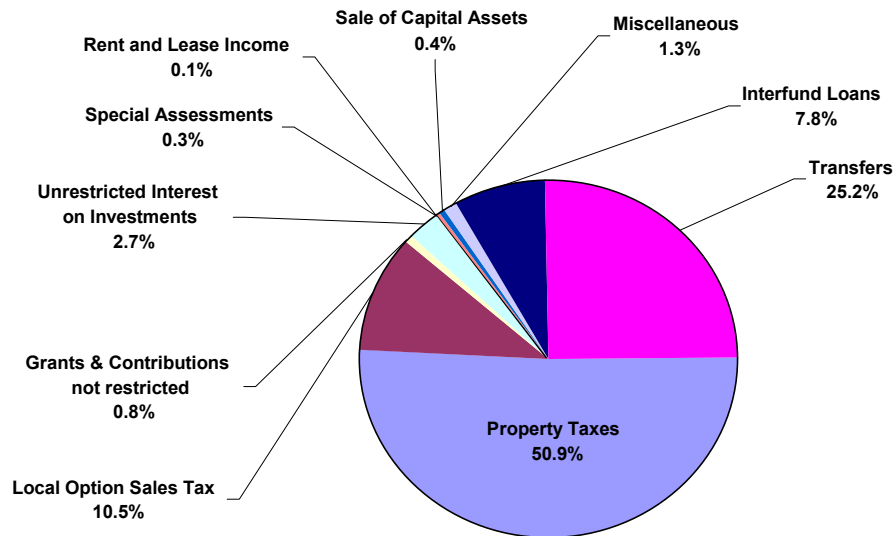
Cash Basis Net Assets, Beginning of Year	<u>3,935,402</u>
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Cash Basis Net Assets, End of Year	<u>\$1,625,804</u>
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Property Tax Levies



Receipts by Source

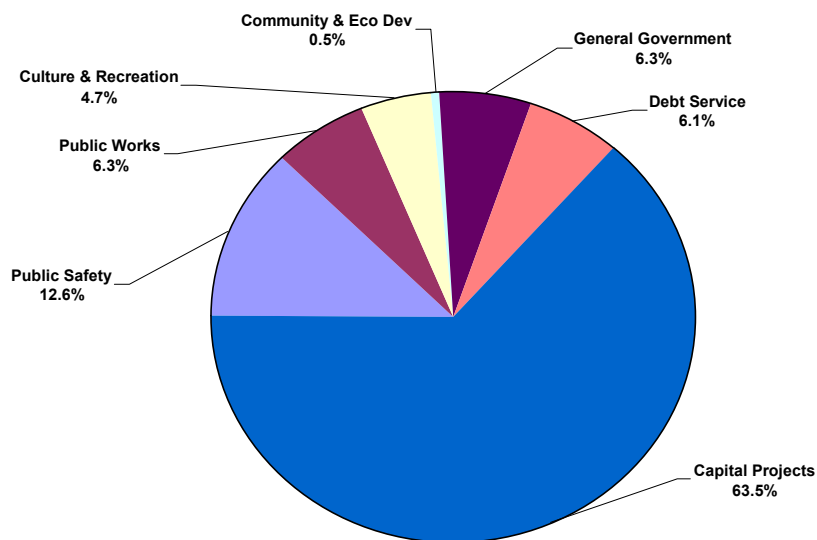


The City's total receipts for governmental activities decreased by 17.8% or \$1,845,741 from the previous year, due largely to the receipt of general obligation bond proceeds of \$2,761,530 in 2003 for future street improvements.. The total cost of all programs increased \$1,832,616 or 20.7% with no new programs added during the year. The majority of disbursement increase was due to significant capital costs incurred for street improvements and the wastewater treatment plant.

The City did increase property tax rates for 2004 by 2.7%. The increase is due to a change in levy for debt service, the street improvements bond levy and special revenue levy for tort liability. There was no increase in the general government levy of \$8.10 per \$1,000 of assessed taxable valuation. The overall increase in levy proceeds is due to increased total assessed valuation, even though the residential rollback rate continues to erode the primary base of property tax base in the city.

The cost of all governmental activities this year was \$10,705,081 compared to \$8,872,465 last year. The amount financed by property taxpayers was \$899,046 or 8.4%. The remainder was financed by charges for services for those directly benefiting from the programs (\$5,780,143) or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest (\$1,515,025) as well as other general receipts.

Government Activities, Disbursement by Function



STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

BUSINESS TYPE ACTIVITIES

Receipts:

Program receipts:

Charges for service	\$5,663,944
Operating grants, contributions and restricted interest	48,845
Capital grants, contributions and restricted interest	-

General receipts:

Unrestricted investment earnings	59,138
Rent and lease income	6,007
Sale of capital assets	-
Miscellaneous	<u>3,473</u>

Total receipts and transfers	<u>5,781,407</u>
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Disbursements and transfers:

Electric	2,433,140
Water	539,468
Gas	1,468,534
Wastewater	198,902
Communications	5,662
Airport	24,712
Garbage	337,284
Cemetery	<u>40,144</u>

Total disbursements	5,047,846
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Interfund transfers	137,031
Transfers, net	<u>444,125</u>

Total disbursements and transfers	<u>5,629,002</u>
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Change in Cash Basis Net Assets	152,405
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Cash Basis Net Assets, Beginning of Year	<u>3,904,382</u>
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Cash Basis Net Assets, End of Year	<u>\$4,056,787</u>
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Total business type activities receipts for the fiscal year were \$5,781,407 compared to \$5,621,456 last year. This change was due primarily to slightly increased fees for electric and natural gas rates and due to higher consumption levels for all services. Total disbursements and transfers for the fiscal year were \$5,629,002 compared to \$5,815,331 last year. The higher level of disbursements and transfers from the previous year were due largely to \$287,766 allocated from electric operating to electric development for Tipton Business Park Development.

INDIVIDUAL NONMAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed this year, its governmental funds reported a combined fund balance of \$1,118,153, a decrease of \$2,112,123 over last year's total of \$3,230,276. The following are the major reasons for the changes of fund balances of the major funds from the prior year.

1. The General Fund cash balance increased \$45,906 from the prior year to \$396,736. This was due largely to a slight increase in the property tax levy.
2. The Road Use Tax Fund cash balance decreased \$43,827 from the prior year to \$212,071. This was due to the utilization of tax fund reserves and current year payments for debt service on the street improvements general obligation bond issue and for segments of the street resurfacing ongoing program.
3. The Urban Renewal Tax Increment Fund certified debt has been in existence since 1998 and has been utilized for a number of improvements including water, sewer, and gas main extensions to the Tipton Business Park. In the current fiscal year, the \$224,778 was utilized for sewer interceptors to service industrial/commercial areas north and west of the City.
4. The Debt Service Fund cash balance increased by \$2,733 to \$227,898 from the prior year for water/sewer revenue bond debt service.
5. The Combined Electric Enterprise Fund decreased by \$111,528 to \$990,332 from the prior year due to debt service on revenue bonds and transfers to general government.
6. The Water Enterprise Fund increased by \$40,225 to \$278,771 due to efficiencies in contract operations and plans to provide supplementary reserves, in addition to a revenue bond issue, for construction of a new elevated water storage facility.
7. The Gas Enterprise Fund decreased by \$38,853 to \$447,200 due to a lagging gas purchase price adjustment in the rates established by ordinance when gas commodity prices began to fluctuate widely in the winter months. The procedural billing process was modified during the fiscal year.
8. The Wastewater Enterprise Fund increased by \$222,182 to \$261,218 in anticipation of providing debt service for a \$3.2 million State Revolving Fund (SRF) issue for construction of the new West Wastewater Treatment Facility.
9. The Garbage Collection Enterprise Fund decreased by \$45,080 to \$236,034 due to City Wide Cleanup and deferral of commercial collection rate increase.
10. The Airport Operating Enterprise Fund increased by \$13,546 to \$60,962 in anticipation of planned improvements.
11. The Cemetery Enterprise Fund increased by \$3,649 to \$34,753 in anticipation of maintenance equipment purchases.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time which resulted in an increase in budgeted receipts and disbursements by \$865,745 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

On June 30, 2004, the City had \$5,513,809 in bonds and other long-term debt, compared to \$6,316,111 at the beginning of the year.

Outstanding Debt at June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
General Obligation Bonds:		
Water and sewer refunding	\$ -	\$ 80,000
General Obligation Notes:		
Street improvements	320,000	390,000
Water improvements	565,000	740,000
Street improvements	<u>1,370,000</u>	<u>1,500,000</u>
Total	<u>2,255,000</u>	<u>2,710,000</u>
Revenue Bonds:		
Sewer revenue*	<u>-</u>	<u>-</u>
Revenue Notes:		
Electric revenue	1,925,000	2,265,000
Water revenue	<u>1,305,000</u>	<u>1,305,000</u>
Total	<u>3,230,000</u>	<u>3,570,000</u>
Capital Lease Obligation:		
Copier and related equipment	<u>28,809</u>	<u>36,111</u>
Total indebtedness	<u>\$ 5,513,809</u>	<u>\$ 6,316,111</u>

*\$3,200,000 issue in FY2004-2005

Debt decreased as a result of the retirement of the 1994 Water & Sewer Refunding Bond along with principle reductions in all but the Water Revenue Note (Principal Payment not scheduled to begin until FY2004-05). The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,710,000 is well below the constitutional debt limit of \$5,910,000. Although secured as general obligation debt, only the \$320,000 street improvement debt remaining is serviced by property tax levy. The remainder of the general obligation notes are serviced by Road Use Tax Revenue or Water Revenue.

2004 GENERAL HIGHLIGHTS

- The City completed the design and construction of a water treatment facility for \$1,215,000 to replace an aging and unreliable facility in the basement of City Hall.
- The City began construction of an aerated wastewater treatment lagoon facility to replace the aging and structurally unsound mechanical treatment plant on the Southwest edge of the City. The \$3,140,000 project, which includes installation of a treated effluent force main from the existing East Lagoon Facility, is scheduled for completion in the fall of 2004.
- The City and the Tipton Economic Development Corporation concluded construction of infrastructure and road system to serve the Tipton Business Park, a 90 acre industrial development facility mortgaged by the City to serve business expansion need on the South side of the City. Project cost to date is \$687,947 with \$166,700 paid by Iowa DOT RISE grant and the remainder financed by Municipal Electric Development funds. One lot has been sold and marketing efforts are underway for the remainder.
- The City completed extension of a sanitary sewer interceptor system from the Bishop Hill Lift Station (Logan Avenue) to the area east of the Wal-Mart store on Highway 38 North. The project cost of \$315,013 was financed by TIF funding as well as payment of \$37,000 from Wal-Mart. A South side sanitary sewer interceptor was also constructed at a cost of \$94,631 to service the Prairie Hills Assisted Living Center scheduled for construction, as well as adjacent commercial properties as yet undeveloped. This project was also financed by TIF funding.
- The City also extended sanitary sewer from the Fraseur Millennium Addition to service the Tipton Golf Course and Walnut Ridge Addition. Funding of \$25,000 was provided by internal loan to be compensated by residential development connection fees.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues

Economic Condition - which can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, gas and other tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in Council approved rates - while certain tax rates are set by statutes, the City Council has significant authority to impose and periodically increase/decrease rates (electricity, natural gas, sanitation, recycling, water, wastewater, permitting, recreation user fees, and facility rental fees, etc.)

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) - certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons. In addition, the state revenue sharing has diminished significantly during this fiscal year, and there are no signs that such sharing will return.

Contribution from the Utilities Funds - the City owns and operates the Water and Sewer, Electric, and Natural Gas utility system and provides administrative and support services for the utility. In return, the City receives payments from the utility. Therefore, the ongoing competitiveness and vitality of the utility is important to the City's well being.

Market Impacts on Investment Income - due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year.

Expenses

Introduction of New Programs - within the functional expense categories (General Government, Public Safety - Police and Fire, Cultural and Recreation, and Redevelopment, etc.) individual programs may be added or deleted to meet changing community needs.

Increase/Decrease in Authorized Personnel - changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 32% of the City's total budget and 64% of the General Fund budget.

Salary Increases (cost of living, merit and market adjustment) - the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation - while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity specific increases (for example, fuel prices).

FUTURE FACTORS & BUDGET

Tipton's elected and appointed officials considered the above factors when establishing the FY2005 budget, tax rates, and fees that will be charged for various City activities. The City and surrounding county continue to enjoy a somewhat better than state average for employment percentage (4.2% versus 4.8%) and median household income of over \$42,000 versus \$39,000 for Iowa.

Inflation in the state continues to be somewhat lower than the national Consumer Price Index increase. The state's CPI increase was 3.2% for FY2004 compared to 3.4% nationally. Locally, stable housing energy prices have helped keep the index low. Energy prices are, however, predicted to show a steady rise, especially in natural gas purchases.

These indicators were taken into account when adopting the budget for FY2005.

Revenues, 2004-2005

The City's property tax grew based on a 1.8%% taxable value increase. The City's Regular General Levy remains at \$8.10/\$1,000 of assessed value while debt service permissible levies increased from \$2.34795 to \$2.65714/\$1,000 of assessed value. The majority of the increase is for debt service. Overall tax based revenues are expected to show a modest increase of \$35,564 to \$746,877.

The City is constructing a \$5 million family aquatic center scheduled to open in June, 2005. Funding for this facility will be derived from cash and pledge revenues of \$2.8 million payable over seven years. The Tipton Community School District provided \$2.2 million in bond proceeds from a referendum approved issue. Construction costs are also being financed by a \$1.25 million note provided by a consortium of Cedar County banks based on the pledges.

A 1% annual increase in electric rates is anticipated to take effect in April. The City has modified its natural gas rates and the procedure by which commodity price adjustments are included in billings to customers.

Expenses, 2004-2005

No new programs are planned for the coming year. The City will be increasing the Recreation Director position from 1/3 FTE to full time in order to adequately manage the new aquatic center. The position will not change until Spring, 2005 and the additional expense is anticipated to be derived from operating revenue of the facility. It is anticipated that the Aquatic Center will be self-supporting thus eliminating an annual \$30,000+ subsidization of the former outdated municipal pool.

Expenses Anticipated, 2005 +

The City will likely eliminate sanitary sewer collection system rehabilitation expenses (estimated at \$60,000 per year) from general government support activity and institute a revenue-based fund activity in future years as existing indebtedness is retired.

The City continues with its plans to construct a new fire station. Additional reserve funds for property acquisition were decreased by \$25,000 for the next budget year, but it appears there will be adequate reserve for acquisition and preparation. The Fire Station Project is anticipated to be a voted referendum general obligation issue in 2007-2008.

The City continues with its plans to construct a new 500,000 gal. elevated water storage facility. The estimated cost of \$900,000 will be financed with CDBG grants and a revenue bond issue planned to occur after the retirement in 2007 of the current \$800,000 GO Water Improvement issued in 1994.

The City faces proportional costs based upon its .5% ownership of the Louisa Generation Plant (LGP) for installation of emissions controls. Tipton's share is estimated to be over \$810,000 between 2005 and 2014. The majority of costs (\$250,000 per year) will occur between 2005 and 2007 and these are anticipated to be financed by surcharges on electric rates for customers.

The City is also considering additional standby generation. The City currently owns 4 MW of dual-fuel (natural gas/diesel) generation dedicated to the wholesale energy supplier, Resale Power Group of Iowa (RPGI). Investigation is underway into whether the addition of 2 MW of diesel generation for peak-shaving only would provide sufficient demand capacity cost reduction to justify an estimated \$400,000 expenditure.

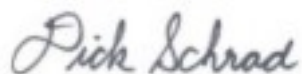
Alliant Energy has indicated that it plans to upgrade the current 34.5 KV electric transmission lines serving Tipton to 69 KV in the future. Prior to this occurrence, the City will need to upgrade its power substation to 69 KV standards. Cost for this upgrade is estimated to be \$1.2 million and will likely occur in 2006-2007. The City anticipates a revenue bond issue for this project.

Expenditures related to personnel costs and associated benefits continue to increase as a direct result of the increased cost of health insurance coverage. Although the City is an aggressive participant in partial self-funded health coverage, we have nonetheless faced premium cost increases around 15% annually with no expectation that this will not continue in the short run.

CONTACT INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City Manager at City Hall at 407 Lynn Street, Tipton, Iowa 52772, telephone (562) 886-6187.

Respectfully submitted,

A handwritten signature in cursive script that reads "Dick Schrad".

Dick Schrad
City Manager

BASIC FINANCIAL STATEMENTS

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2004

			<u>Program Receipts</u>	
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:	<u>Disbursements</u>	<u>Charges for Services</u>		
Governmental activities:				
Public safety	\$ 710,348	\$ 87,804	\$ 61,355	\$ -
Public works	357,816	1,042	287,297	-
Culture and recreation	267,677	11,948	24,076	-
Community and economic development	27,501	-	10,001	-
General government	355,943	17,525	4,898	-
Debt service	347,826	-	-	-
Capital projects	<u>3,590,124</u>	<u>-</u>	<u>10,620</u>	<u>1,067,933</u>
Total governmental activities	<u>5,657,235</u>	<u>118,319</u>	<u>398,247</u>	<u>1,067,933</u>
Business-type activities:				
Electric	2,433,140	2,879,786	5,489	-
Water	539,468	532,327	33,356	-
Gas	1,468,534	1,431,414	1,032	-
Wastewater	198,902	482,624	233	-
Communications	5,662	19,445	-	-
Airport	24,712	16,540	5,183	-
Garbage	337,284	281,233	1,941	-
Cemetery	<u>40,144</u>	<u>20,575</u>	<u>1,611</u>	<u>-</u>
Total business type activities	<u>5,047,846</u>	<u>5,663,944</u>	<u>48,845</u>	<u>-</u>
Total	<u>10,705,081</u>	<u>5,782,263</u>	<u>447,092</u>	<u>1,067,933</u>
GENERAL RECEIPTS:				
Property taxes levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Other city tax				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (561,189)	\$ -	\$ (561,189)
(69,477)	-	(69,477)
(231,653)	-	(231,653)
(17,500)	-	(17,500)
(333,520)	-	(333,520)
(347,826)	-	(347,826)
<u>(2,511,571)</u>	<u>-</u>	<u>(2,511,571)</u>
 <u>(4,072,736)</u>	 <u>-</u>	 <u>(4,072,736)</u>
-	452,135	452,135
-	26,215	26,215
-	(36,088)	(36,088)
-	283,955	283,955
-	13,783	13,783
-	(2,989)	(2,989)
-	(54,110)	(54,110)
<u>-</u>	<u>(17,958)</u>	<u>(17,958)</u>
 <u>-</u>	 <u>664,943</u>	 <u>664,943</u>
 <u>(4,072,736)</u>	 <u>664,943</u>	 <u>(3,407,793)</u>
 560,566	-	560,556
89,991	-	89,991
183,109	-	183,109
59,346	-	59,346
6,034	-	6,034
184,995	-	184,995
13,774	-	13,774
47,791	59,138	106,929

(continued)

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2004

	<u>Program Receipts</u>		
	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
<u>Disbursements</u>	<u>Services</u>	<u>Grants,</u>	<u>Grants,</u>
		<u>Contributions,</u>	<u>Contributions</u>
		<u>and Restricted</u>	<u>and Restricted</u>
		<u>Interest</u>	<u>Interest</u>
Rent and lease income			
Special assessments			
Sale of capital assets			
Miscellaneous			
Interfund loans			
Transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS, BEGINNING			
CASH BASIS NET ASSETS, ENDING			
CASH BASIS NET ASSETS:			
Restricted:			
Deposits			
Streets			
Debt service			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
1,200	6,007	7,207
5,994	-	5,994
7,500	-	7,500
23,802	3,473	27,275
137,031	(137,031)	-
<u>444,125</u>	<u>(444,125)</u>	<u>-</u>
<u>1,765,258</u>	<u>(512,538)</u>	<u>1,252,720</u>
(2,307,478)	152,405	(2,155,073)
<u>4,031,522</u>	<u>3,904,382</u>	<u>7,935,904</u>
<u>\$ 1,724,044</u>	<u>\$ 4,056,787</u>	<u>\$ 5,780,831</u>
\$ -	\$ 28,504	\$ 28,504
217,071	-	217,071
227,898	535,372	763,270
789,099	1,154,465	1,943,264
<u>494,976</u>	<u>2,338,746</u>	<u>2,833,722</u>
<u>\$ 1,724,044</u>	<u>\$ 4,056,787</u>	<u>\$ 5,780,831</u>

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

CITY OF TIPTON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds

As of and For the Year Ended June 30, 2004

		<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>General</u>	<u>Aquatic Campaign</u>	<u>GO Street Improvement</u>	<u>Waste- water Project</u>	<u>GO Street Improvement 03</u>
RECEIPTS:					
Property tax	\$ 560,566	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-
Other city tax	6,034	-	-	-	-
Licenses and permits	3,208	-	-	-	-
Use of money and property	9,563	918	2,154	-	23,003
Intergovernmental	32,945	-	-	10,020	-
Charges for services	119,106	-	-	-	-
Special assessments	5,994	-	-	-	-
Miscellaneous	<u>41,712</u>	<u>820,885</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>779,128</u>	<u>821,803</u>	<u>2,154</u>	<u>10,020</u>	<u>23,003</u>
DISBURSEMENTS:					
Operating:					
Public safety	527,378	-	-	-	-
Public works	306,535	-	-	-	-
Culture and recreation	257,864	2,269	-	-	-
Community and economic development	-	-	-	-	-
General government	111,188	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>21,211</u>	<u>2,495,206</u>	<u>410,281</u>
Total disbursements	<u>1,202,965</u>	<u>2,269</u>	<u>21,211</u>	<u>2,495,206</u>	<u>410,281</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(423,837)</u>	<u>819,534</u>	<u>(19,057)</u>	<u>(2,485,186)</u>	<u>(387,278)</u>
OTHER FINANCING SOURCES (USES):					
Interfund loan proceeds	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Operating transfers in	486,243	-	410,219	247,068	-
Interfund loan advances	-	(261,126)	(27,055)	-	(178,189)
Operating transfers out	<u>(16,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>469,743</u>	<u>(261,126)</u>	<u>383,164</u>	<u>247,068</u>	<u>(178,189)</u>

Other Nonmajor Governmental Funds					
<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 89,991	\$ 59,346	\$ -	\$ -	\$ 149,337	\$ 709,903
183,109	-	-	-	183,109	183,109
184,995	-	-	-	184,995	191,029
-	-	-	-	-	3,208
10,253	3,099	-	-	13,352	48,990
551,512	-	-	-	551,512	594,477
-	-	-	2,120	2,120	121,226
-	-	-	-	-	5,994
<u>39,968</u>	<u>-</u>	<u>600</u>	<u>-</u>	<u>40,568</u>	<u>903,165</u>
<u>1,059,828</u>	<u>62,445</u>	<u>600</u>	<u>2,120</u>	<u>1,124,993</u>	<u>2,761,101</u>
182,970	-	-	-	182,970	710,348
51,281	-	-	-	51,281	357,816
7,544	-	-	-	7,544	267,677
27,501	-	-	-	27,501	27,501
214,266	-	-	-	214,266	325,454
-	347,826	-	-	347,826	347,826
<u>401,700</u>	<u>-</u>	<u>261,726</u>	<u>-</u>	<u>663,426</u>	<u>3,590,124</u>
<u>885,262</u>	<u>347,826</u>	<u>261,726</u>	<u>-</u>	<u>1,494,814</u>	<u>5,626,746</u>
<u>174,566</u>	<u>(285,381)</u>	<u>(261,126)</u>	<u>2,120</u>	<u>(369,821)</u>	<u>(2,865,645)</u>
305,000	205,244	261,126	-	771,370	771,370
7,500	-	-	-	7,500	7,500
16,500	82,870	-	-	99,370	1,242,900
(2,969)	-	-	-	(2,969)	(469,339)
<u>(780,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(780,289)</u>	<u>(796,789)</u>
<u>(454,258)</u>	<u>288,114</u>	<u>261,126</u>	<u>-</u>	<u>94,982</u>	<u>755,642</u>

(continued)

CITY OF TIPTON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds

As of and For the Year Ended June 30, 2004

		<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>General</u>	<u>Aquatic Campaign</u>	<u>GO Street Improvement</u>	<u>Waste- water Project</u>	<u>GO Street Improvement 03</u>
NET CHANGE IN CASH BALANCE	45,906	558,408	364,107	(2,238,118)	(565,467)
CASH BALANCE, BEGINNING	<u>350,830</u>	<u>5,417</u>	<u>374,346</u>	<u>-</u>	<u>1,479,475</u>
CASH BALANCE, ENDING	<u>\$ 396,736</u>	<u>\$ 563,825</u>	<u>\$ 738,453</u>	<u>\$(2,238,118)</u>	<u>\$ 914,008</u>
CASH BASIS FUND BALANCE:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted:					
General	396,736	-	-	-	-
Special revenue funds	-	563,825	-	-	-
Permanent	-	-	-	-	-
Capital project funds	<u>-</u>	<u>-</u>	<u>738,453</u>	<u>(2,238,118)</u>	<u>914,008</u>
Total cash basis fund balance	<u>\$ 396,736</u>	<u>\$ 563,825</u>	<u>\$ 738,453</u>	<u>\$(2,238,118)</u>	<u>\$ 914,008</u>

<u>Other Nonmajor Governmental Funds</u>					
<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Totals</u>
(279,692)	2,733	-	2,120	(274,839)	2,110,003
<u>795,043</u>	<u>225,165</u>	<u>-</u>	<u>96,120</u>	<u>1,116,328</u>	<u>3,326,396</u>
<u>\$ 515,351</u>	<u>\$ 227,898</u>	<u>\$ -</u>	<u>\$ 98,240</u>	<u>\$ 841,489</u>	<u>\$1,216,393</u>
\$ -	\$ 227,898	\$ -	\$ -	\$ 227,898	\$ 227,898
-	-	-	-	-	396,736
515,351	-	-	-	515,351	1,079,176
-	-	-	98,240	98,240	98,240
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(585,657)</u>
<u>\$ 515,351</u>	<u>\$ 227,898</u>	<u>\$ -</u>	<u>\$ 98,240</u>	<u>\$ 841,489</u>	<u>\$1,216,393</u>

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

CITY OF TIPTON

**Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds**

As of and for the year ended June 30, 2004

Total governmental funds cash balances \$ 1,216,393

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Revenue Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis.

507,651

Cash basis net assets of governmental activities \$ 1,724,044

Net change in cash balances \$ (2,110,003)

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Revenue Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis.

(197,475)

Change in cash balance of governmental activities \$ (2,307,478)

CITY OF TIPTON

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds

As of and For the Year Ended June 30, 2004

			<u>Enterprise Nonmajor</u>	
	<u>Electric Operating</u>	<u>Gas Operating</u>	<u>Electric</u>	<u>Water</u>
OPERATING RECEIPTS:				
Licenses and permits	\$ 225	\$ 59	\$ -	\$ 605
Intergovernmental	-	-	-	-
Charges for services	2,859,026	1,422,324	-	526,813
Miscellaneous	<u>16,303</u>	<u>1,148</u>	<u>9,720</u>	<u>38,265</u>
Total operating receipts	<u>2,875,554</u>	<u>1,423,531</u>	<u>9,720</u>	<u>565,683</u>
OPERATING DISBURSEMENTS:				
General governmental	-	-	-	-
Business type activities:				
Electric	1,993,904	-	10,079	-
Water	-	-	-	270,833
Gas	-	1,412,192	-	-
Wastewater	-	-	-	-
Communications	-	-	-	-
Airport	-	-	-	-
Garbage	-	-	-	-
Cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>1,993,904</u>	<u>1,412,192</u>	<u>10,079</u>	<u>270,833</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>881,650</u>	<u>11,339</u>	<u>(359)</u>	<u>294,850</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	24,019	230	17,319	1,416
Rents	3,800	-	900	-
Debt service	<u>-</u>	<u>-</u>	<u>(429,157)</u>	<u>(268,635)</u>
Net nonoperating receipts (disbursements)	<u>27,819</u>	<u>230</u>	<u>(410,938)</u>	<u>(267,219)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>909,469</u>	<u>11,569</u>	<u>(411,297)</u>	<u>27,631</u>

Exhibit D

<u>Funds</u>				<u>Internal Service Funds</u>
<u>Funds</u>				
<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Totals</u>	
\$ -	\$ -	\$ -	\$ 889	\$ -
-	-	1,383	1,383	-
-	482,624	321,281	5,612,068	-
<u>8,915</u>	<u>233</u>	<u>27,338</u>	<u>101,922</u>	<u>117,865</u>
<u>8,915</u>	<u>482,857</u>	<u>350,002</u>	<u>5,716,262</u>	<u>117,865</u>
-	-	-	-	281,727
-	-	-	2,003,983	-
-	-	-	270,833	-
56,342	-	-	1,468,534	-
-	198,019	-	198,019	-
-	-	5,662	5,662	-
-	-	24,712	24,712	-
-	-	337,284	337,284	-
<u>-</u>	<u>-</u>	<u>40,144</u>	<u>40,144</u>	<u>-</u>
<u>56,342</u>	<u>198,019</u>	<u>407,802</u>	<u>4,349,171</u>	<u>281,727</u>
<u>(47,427)</u>	<u>284,838</u>	<u>(57,800)</u>	<u>1,367,091</u>	<u>(163,862)</u>
8,574	573	7,007	59,138	15,844
-	-	1,307	6,007	117,529
<u>-</u>	<u>(883)</u>	<u>-</u>	<u>(698,675)</u>	<u>-</u>
<u>8,574</u>	<u>(310)</u>	<u>8,314</u>	<u>(633,530)</u>	<u>133,373</u>
<u>(38,853)</u>	<u>284,528</u>	<u>(49,486)</u>	<u>733,561</u>	<u>(30,489)</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds

As of and For the Year Ended June 30, 2004

			<u>Enterprise</u>	
			<u>Nonmajor</u>	
	<u>Electric</u>	<u>Gas</u>	<u>Electric</u>	<u>Water</u>
	<u>Operating</u>	<u>Operating</u>		
OTHER FINANCING SOURCES (USES)				
Interloan fund	-	-	2,969	-
Operating transfers in	17,996	645	436,800	301,714
Interfund loan advances	-	-	(140,000)	-
Operating transfers out	<u>(832,286)</u>	<u>(53,041)</u>	<u>-</u>	<u>(289,120)</u>
Net other financing sources (uses)	<u>(814,290)</u>	<u>(52,396)</u>	<u>299,769</u>	<u>12,594</u>
 NET CHANGE IN CASH BALANCE	 95,179	 (40,827)	 (111,528)	 40,225
 CASH BALANCE, BEGINNING	 <u>1,586,036</u>	 <u>70,891</u>	 <u>1,101,860</u>	 <u>238,546</u>
 CASH BALANCE, ENDING	 <u>\$ 1,681,215</u>	 <u>\$ 30,064</u>	 <u>\$ 990,332</u>	 <u>\$ 278,771</u>
 CASH BASIS FUND BALANCE:				
Reserved:				
Deposits	\$ -	\$ -	\$ 13,009	\$ 4,319
Debt service	-	-	259,182	66,558
Other purposes	-	-	718,141	-
Unreserved	<u>1,681,215</u>	<u>30,064</u>	<u>-</u>	<u>207,894</u>
Total cash basis fund balance	<u>\$ 1,681,215</u>	<u>\$ 30,064</u>	<u>\$ 990,332</u>	<u>\$ 278,771</u>

Exhibit D

<u>Funds</u>				
<u>Funds</u>				<u>Internal Service Funds</u>
<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Totals</u>	
-	-	-	2,969	-
-	191,045	35,513	983,713	2,348
-	-	-	(140,000)	(165,000)
-	(253,391)	-	(1,427,838)	(4,334)
-	(62,346)	35,513	(581,156)	(166,986)
(38,853)	222,182	(13,973)	152,405	(197,475)
486,053	39,036	381,960	3,904,382	705,126
<u>\$ 447,200</u>	<u>\$ 261,218</u>	<u>\$ 367,987</u>	<u>\$ 4,056,787</u>	<u>\$ 507,651</u>
\$ 11,176	\$ -	\$ -	\$ 28,504	\$ -
-	209,632	-	535,372	-
436,024	-	-	1,154,165	507,651
-	51,586	367,987	2,338,746	-
<u>\$ 447,200</u>	<u>\$ 261,218</u>	<u>\$ 367,987</u>	<u>\$ 4,056,787</u>	<u>\$ 507,651</u>

These financial statements should be read only in connection with the accompanying notes to the financial statements.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Tipton is a political subdivision of the State of Iowa located in Cedar County. It was first incorporated in 1840 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Tipton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board, Cedar County Emergency Management Commission, and Cedar County Solid Waste Commission.

In addition to the jointly governed organizations identified above, the City has an agreement with the cities of Wilton and Durant for joint operation of a street sweeper.

B. Basis of Presentation

Governmental-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF TIPTON
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued):

B. Basis of Presentation (continued)

Governmental-wide Financial Statements (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Aquatic Campaign Fund is used to collect donated funds for the new aquatic center currently under construction.

Capital Projects:

The GO Street Improvement Fund is used to account for a street improvement project.

The Wastewater Project Fund is used to account for the wastewater capital project.

The 2003 GO Street Improvement Project Fund is used to account for the 2003 street improvement project.

CITY OF TIPTON
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued):

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

The City reports the following major proprietary funds:

The Electric Operating Fund accounts for the operation and maintenance of the City's electric system.

The Gas Operating Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Tipton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2004

(2) Cash and Pooled Investments (continued)

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

(3) Bonds, Notes and Warrants Payable

The annual debt service requirements to maturity of general obligation bonds and notes and revenue bonds and notes are as follows:

	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 390,000	\$ 78,412	\$ 355,000	\$ 146,159	\$ 745,000	\$ 224,571
2006	410,000	65,317	370,000	131,428	780,000	196,745
2007	420,000	52,095	385,000	115,887	805,000	167,982
2008	230,000	36,599	505,000	99,526	735,000	136,125
2009	150,000	28,611	525,000	77,862	675,000	106,473
2010	155,000	23,886	115,000	54,970	270,000	78,856
2011	160,000	18,694	120,000	49,738	280,000	68,432
2012	165,000	13,013	125,000	44,097	290,000	57,110
2013	175,000	6,825	130,000	38,035	305,000	44,860
2014	-	-	140,000	31,535	140,000	31,535
2015	-	-	145,000	24,395	145,000	24,395
2016	-	-	155,000	16,855	155,000	16,855
2017	-	-	160,000	8,640	160,000	8,640
	<u>\$ 2,255,000</u>	<u>\$ 323,452</u>	<u>\$ 3,230,000</u>	<u>\$ 839,127</u>	<u>\$ 5,485,000</u>	<u>\$ 1,162,579</u>

General obligation notes were issued on May 1, 2003 to provide funds to pay for the cost of street construction and reconstruction. These notes are callable on June 1, 2009.

The resolution providing for the issuance of the electric revenue notes includes the following provisions:

- The City shall generate net revenues from electric operations equal to at least 125% of the average annual installments on all bonds and notes outstanding.
- An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in an electric sinking fund on a monthly basis.
- A reserve fund is to be established with a required fund balance of \$474,000.
- A renewal and replacement fund is to be established with a required fund balance of \$100,000. If the balance in this fund is less than the required minimum amount, \$50,000 shall be deposited into the fund.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2004

(3) Bonds, Notes and Warrants Payable (continued)

Water revenue notes were issued on July 1, 2002 to provide funds for water improvement projects. These notes are callable on July 1, 2012.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- a) The City shall generate net revenues from water operations equal to at least 125% of the average annual installments on the notes.
- b) An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in a water sinking fund on a monthly basis.
- c) A reserve fund is to be established with a required fund balance of \$130,000.
- d) A surplus fund is to be established into which there shall be set apart and paid all the net revenues remaining after first making the required payments into the sinking and reserve funds and after the reserve fund contains the required minimum balance.

At June 30, 2004, the City was in compliance with all the provisions above, except for not having a reserve fund with a minimum balance of \$130,000 to pay principle and interest on the water revenue notes and maintaining a reserve fund balance of \$474,000 for the electric revenue notes.

(4) Capital Lease Obligations

During the year ended June 30, 2003, the City entered into a capital lease agreement for a multi-use printer/copier and related equipment. Monthly installments of \$786.19, including interest at 6.5% per annum, are due through October 21, 2007. There is a purchase option of \$750 for the equipment at that date and a schedule of the future minimum lease payments is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 9,434
2006	9,434
2007	9,434
2008	<u>3,145</u>
Total minimum lease payments	31,447
Less amount representing interest	<u>2,638</u>
Present value of net minimum lease payments	<u>\$ 28,809</u>

CITY OF TIPTON

Notes to Financial Statements

June 30, 2004

(5) Internal Debt

The City approved the following interfund loans during the year ended June 30, 2004. All loans are payable upon demand and bear no interest rate.

<u>From</u>	<u>To</u>	<u>Amount</u>
Internal Service Fund:	Special Revenue Fund:	
City Reserve	TIF Capital Improvement Fund	\$ 165,000
Special Revenue Funds:	Capital Projects Fund:	
Aquatic Center Campaign Fund	Aquatic Center Capital Projects Fund	261,126
Capital Projects Funds:	Debt Service Funds:	
GO Street Improvements 2003 Fund	GO Street Improvement D/S 2003	178,189
GO Street Improvement Fund	GO Street Improvement D/S	27,055
Revenue Funds:	Special Revenue Funds:	
Electric Bond/Interest Reserve Fund	Fire Trust	140,000
Special Revenue Funds:	Revenue Fund:	
Fire Trust	Electric Bond/Interest Revenue Fund	<u>2,969</u>
		<u>\$ 774,339</u>

(6) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$66,518, \$64,217 and \$62,497, respectively, equal to the required contributions for each year.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2004

(7) Health Insurance

The City provides health insurance for its employees with partial self-funding provisions as follows:

	Out of Pocket Limits Per Calendar Year	
	<u>Single</u>	<u>Family</u>
Employee	\$ 500	\$ 1,000
City	\$ 1,500	\$ 3,000

The City has established an internal service fund to account for and pay its share of this partial self-funding. As of June 30, 2004, there are unpaid claims for which the City is partially liable under the partial self-funding provision of the health insurance plan. This liability has not been determined.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 960 hours. Vacation is payable when used and is cumulative to a maximum of 240 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2004 is \$44,791.

(9) Risk Management

The City of Tipton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Construction Project Commitments

During the year ended June 30, 2003 the City entered into contracts for a wastewater improvement project. The contracts total \$2,918,521 and the project is to be financed by a CDBG grant and wastewater revenue debt. Disbursements for the year ended June 30, 2004 totaled \$2,342,020, resulting in a remaining commitment of \$595,567.

The City of Tipton entered into a contract for the reconstruction of Lemon Street Improvement Project. The contract totaled \$337,149. There were no distributions during the year ended June 30, 2004.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2004

(10) Construction Project Commitments (continued)

The City of Tipton owns .5% of the Louisa Generation Plant and receives 3.5 megawatts of base load generation from this ownership. The Louisa Plant is planning on EPA mandated installation of particulate scrubbers on its stacks to comply with clean air standards. The City's share of this project is estimated to be \$743,000 with current projections placing the majority of construction costs between 2008 and 2009. The City intends to finance this project through the creation of a reserve fund financed by existing user rates.

(11) Subsequent Event

In August 2004, the City entered into a construction contract for the new Aquatic Center Capital Project in the amount of \$569,000.

(12) Deficit Fund Balance

The Capital Project, Wastewater Project Fund had a deficit balance of \$2,238,118 at June 30, 2004. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants and the sale of bonds.

(13) Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements are now implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. The City has elected to continue to prepare its financial statements on the basis of cash receipts and disbursements. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the City's financial activities.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIPTON

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 709,903	\$ -	\$ 709,903
Tax increment financing	183,109	-	183,109
Other city tax	191,029	-	191,029
Licenses and permits	3,208	889	4,097
Use of money and property	48,990	65,145	114,135
Intergovernmental	594,477	1,383	595,860
Charges for services	121,226	5,612,068	5,733,294
Special assessments	5,994	-	5,994
Miscellaneous	<u>903,165</u>	<u>101,922</u>	<u>1,005,087</u>
Total receipts	<u>2,761,101</u>	<u>5,781,407</u>	<u>8,542,508</u>
DISBURSEMENTS:			
Public safety	710,348	-	710,348
Public works	357,816	-	357,816
Culture and recreation	267,677	-	267,677
Community and economic development	27,501	-	27,501
General government	325,454	-	325,454
Debt service	347,826	698,675	1,046,501
Capital projects	3,590,124	-	3,590,124
Business type activities	<u>-</u>	<u>4,349,171</u>	<u>4,349,171</u>
Total disbursements	<u>5,626,746</u>	<u>5,047,846</u>	<u>10,674,592</u>
Excess (deficiency) receipts over (under) disbursements	(2,865,645)	733,561	(2,132,084)
OTHER FINANCING SOURCES (USES)	<u>755,642</u>	<u>(581,156)</u>	<u>174,486</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,110,003	152,405	(1,957,598)
BALANCES BEGINNING OF YEAR	<u>3,326,396</u>	<u>3,904,382</u>	<u>7,230,778</u>
BALANCES END OF YEAR	<u>\$ 1,216,393</u>	<u>\$ 4,056,787</u>	<u>\$ 5,273,180</u>

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 700,690	\$ 700,690	\$ 9,213
187,000	187,000	(3,891)
145,623	181,808	9,221
4,310	4,310	(213)
525,106	846,756	(732,621)
563,131	568,215	27,645
5,791,696	5,801,696	(68,402)
-	-	5,994
<u>285,945</u>	<u>358,055</u>	<u>647,032</u>
<u>8,203,501</u>	<u>8,648,530</u>	<u>(106,022)</u>
573,007	765,123	54,775
524,205	536,538	178,722
298,519	327,519	59,842
2,372	54,396	26,895
631,428	693,574	368,120
1,049,714	1,049,714	3,213
4,210,953	4,393,253	803,129
<u>4,473,303</u>	<u>4,809,129</u>	<u>459,958</u>
<u>11,763,501</u>	<u>12,629,246</u>	<u>1,954,654</u>
(3,560,000)	(3,980,716)	1,848,632
<u>3,560,000</u>	<u>3,980,716</u>	<u>(3,806,230)</u>
-	-	(1,957,598)
<u>6,319,068</u>	<u>6,319,068</u>	<u>911,710</u>
<u>\$ 6,319,068</u>	<u>\$ 6,319,068</u>	<u>\$ (1,045,888)</u>

See accompanying independent auditor's report.

CITY OF TIPTON

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functional areas are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget receipts by \$865,745 and disbursements by \$865,745. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed any of the budget amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds - Special Revenue

As of and For the Year Ended June 30, 2004

	<u>Road Use Tax</u>	<u>Trust and Agency</u>	<u>Local Option Tax</u>	<u>TIF Capital Improvement</u>
RECEIPTS:				
Property tax	\$ -	\$ 89,991	\$ -	\$ -
Tax increment financing collections	-	-	-	183,109
Other city tax	-	-	184,995	-
Use of money and property	-	136	-	2,403
Intergovernmental	262,772	-	-	-
Miscellaneous	<u>564</u>	<u>-</u>	<u>-</u>	<u>18,500</u>
Total receipts	<u>263,336</u>	<u>90,127</u>	<u>184,995</u>	<u>204,012</u>
DISBURSEMENTS:				
Operating:				
Public safety	-	-	-	-
Public works	50,346	-	-	935
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	184,995	4,155
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,700</u>
Total disbursements	<u>50,346</u>	<u>-</u>	<u>184,995</u>	<u>406,790</u>
Excess (deficiency) of receipts over (under) disbursements	<u>212,990</u>	<u>90,127</u>	<u>-</u>	<u>(202,778)</u>
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	-	-	-	165,000
Proceeds from sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Interfund loan advances	-	-	-	-
Operating transfers out	<u>(256,817)</u>	<u>(89,404)</u>	<u>-</u>	<u>(187,000)</u>
Net other financing sources (uses)	<u>(256,817)</u>	<u>(89,404)</u>	<u>-</u>	<u>(22,000)</u>

Schedule 1

<u>Economic Industrial Develop- ment</u>	<u>Under- employ- ment Trust</u>	<u>Library Trust</u>	<u>PS Share Trust</u>	<u>Ambulance Trust</u>	<u>Fire Trust</u>	<u>CDBG Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,991
-	-	-	-	-	-	-	183,109
-	-	-	-	-	-	-	184,995
501	1,230	1,828	-	3,701	434	20	10,253
-	-	-	-	6,266	35,426	247,048	551,512
<u>10,001</u>	<u>-</u>	<u>7,634</u>	<u>120</u>	<u>3,149</u>	<u>-</u>	<u>-</u>	<u>39,968</u>
<u>10,502</u>	<u>1,230</u>	<u>9,462</u>	<u>120</u>	<u>13,116</u>	<u>35,860</u>	<u>247,068</u>	<u>1,059,828</u>
-	-	-	-	-	182,970	-	182,970
-	-	-	-	-	-	-	51,281
-	-	7,544	-	-	-	-	7,544
27,501	-	-	-	-	-	-	27,501
25,016	-	-	100	-	-	-	214,266
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,700</u>
<u>52,517</u>	<u>-</u>	<u>7,544</u>	<u>100</u>	<u>-</u>	<u>182,970</u>	<u>-</u>	<u>885,262</u>
<u>(42,015)</u>	<u>1,230</u>	<u>1,918</u>	<u>20</u>	<u>13,116</u>	<u>(147,110)</u>	<u>247,068</u>	<u>174,566</u>
-	-	-	-	-	140,000	-	305,000
-	-	-	-	-	7,500	-	7,500
-	-	-	-	16,500	-	-	16,500
-	-	-	-	-	(2,969)	-	(2,969)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(247,068)</u>	<u>(780,289)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>144,531</u>	<u>(247,068)</u>	<u>(454,258)</u>

(continued)

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds - Special Revenue

As of and For the Year Ended June 30, 2004

	<u>Road Use Tax</u>	<u>Trust and Agency</u>	<u>Local Option Tax</u>	<u>TIF Capital Improvement</u>
NET CHANGE IN CASH BALANCE	(43,827)	723	-	(224,778)
CASH BALANCE, BEGINNING	<u>255,898</u>	<u>3,702</u>	<u>-</u>	<u>126,905</u>
CASH BALANCE, ENDING	<u>\$212,071</u>	<u>\$ 4,425</u>	<u>\$ -</u>	<u>\$ (97,873)</u>
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	<u>\$212,071</u>	<u>\$ 4,425</u>	<u>\$ -</u>	<u>\$ (97,873)</u>
Total cash basis fund balance	<u>\$212,071</u>	<u>\$ 4,425</u>	<u>\$ -</u>	<u>\$ (97,873)</u>

Schedule 1

Economic Industrial Develop- ment	Under- employ- ment Trust	Library Trust	PS Share Trust	Ambulance Trust	Fire Trust	CDBG Funds	Totals
(42,015)	1,230	1,918	20	29,616	(2,579)	-	(279,692)
<u>94,199</u>	<u>65,829</u>	<u>92,314</u>	<u>1</u>	<u>143,518</u>	<u>12,677</u>	<u>-</u>	<u>795,043</u>
<u>\$ 52,184</u>	<u>\$ 67,059</u>	<u>\$ 94,232</u>	<u>\$ 21</u>	<u>\$173,134</u>	<u>\$ 10,098</u>	<u>\$ -</u>	<u>\$515,351</u>
 <u>\$ 52,184</u>	 <u>\$ 67,059</u>	 <u>\$ 94,232</u>	 <u>\$ 21</u>	 <u>\$173,134</u>	 <u>\$ 10,098</u>	 <u>\$ -</u>	 <u>\$515,351</u>
<u>\$ 52,184</u>	<u>\$ 67,059</u>	<u>\$ 94,232</u>	<u>\$ 21</u>	<u>\$173,134</u>	<u>\$ 10,098</u>	<u>\$ -</u>	<u>\$515,351</u>

See accompanying independent auditor's report.

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds - Other

As of and For the Year Ended June 30, 2004

	<u>1994 Water/Sewer Debt Service</u>	<u>Debt Service GO Street Improvement Debt Service</u>	<u>GO Street Improvement Debt Service 03</u>	<u>Total Debt Service Funds</u>	<u>Capital Projects Aquatic Center</u>	<u>Permanent Cemetery Trust</u>
RECEIPTS:						
Property tax	\$ -	\$ 59,346	\$ -	\$ 59,346	\$ -	\$ -
Use of money and property	3,033	66	-	3,099	-	-
Charges for services	-	-	-	-	-	2,120
Miscellaneous	-	-	-	-	600	-
Total receipts	<u>3,033</u>	<u>59,412</u>	<u>-</u>	<u>62,445</u>	<u>600</u>	<u>2,120</u>
DISBURSEMENTS:						
Debt service	83,170	86,467	178,189	347,826	-	-
Capital projects	-	-	-	-	261,726	-
Total disbursements	<u>83,170</u>	<u>86,467</u>	<u>178,189</u>	<u>347,826</u>	<u>261,726</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(80,137)</u>	<u>(27,055)</u>	<u>(178,189)</u>	<u>(285,381)</u>	<u>(261,126)</u>	<u>2,120</u>
OTHER FINANCING SOURCES (USES):						
Interfund loan proceeds	-	27,055	178,189	205,244	261,126	-
Operating transfers in	82,870	-	-	82,870	-	-
Interfund loan advances	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Net other financing sources (uses)	<u>82,870</u>	<u>27,055</u>	<u>178,189</u>	<u>288,114</u>	<u>261,126</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	2,733	-	-	2,733	-	2,120
CASH BALANCE, BEGINNING	<u>225,165</u>	<u>-</u>	<u>-</u>	<u>225,165</u>	<u>-</u>	<u>96,120</u>
CASH BALANCE, ENDING	<u>\$ 227,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,898</u>	<u>\$ -</u>	<u>\$ 98,240</u>

Schedule 2

	<u>1994</u>	<u>Debt Service</u>	<u>GO Street</u>	<u>GO Street</u>	<u>Total</u>	<u>Capital</u>	<u>Permanent</u>
	<u>Water/Sewer</u>	<u>Improvement</u>	<u>Improvement</u>	<u>Debt Service</u>	<u>Debt Service</u>	<u>Projects</u>	<u>Cemetery</u>
	<u>Debt Service</u>	<u>Debt Service</u>	<u>Debt Service 03</u>	<u>Funds</u>	<u>Aquatic</u>	<u>Center</u>	<u>Trust</u>
CASH FUND BALANCE:							
Reserved:							
Debt Service	\$ 227,898	\$ -	\$ -	\$ 227,898	\$ -	\$ -	
Unreserved:							
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,240</u>
Total cash basis fund balance	<u>\$ 227,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,240</u>

See accompanying independent auditor's report.

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds - Electric**

As of and For the Year Ended June 30, 2004

	<u>Electric Revenue Bonds 98</u>	<u>Electric Revenue Bonds</u>	<u>Electric Development</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ -	\$ -
OPERATING DISBURSEMENTS:			
Business type activities:			
Electric	-	-	-
Excess (deficiency) of operating receipts over (under) operating disbursements	-	-	-
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	2,728	192	-
Rents	-	-	900
Debt service	(429,157)	-	-
Net nonoperating receipts (disbursements)	(426,429)	192	900
Excess (deficiency) of receipts over (under) disbursements	(426,429)	192	900
OTHER FINANCING SOURCES (USES):			
Interfund loan	-	-	-
Operating transfers in	436,800	-	-
Interfund loan advance	-	-	-
Operating transfers out	-	-	-
Net other financing sources (uses)	436,800	-	-
NET CHANGE IN CASH BALANCE	10,371	192	900
CASH BALANCE, BEGINNING	209,395	39,224	-
CASH BALANCE, ENDING	<u>\$ 219,766</u>	<u>\$ 39,416</u>	<u>\$ 900</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt service	219,766	39,416	-
Other purposes	-	-	900
Unreserved	-	-	-
Total cash basis fund balance	<u>\$ 219,766</u>	<u>\$ 39,416</u>	<u>\$ 900</u>

<u>Electric Renewal/ Replacement</u>	<u>Electric Reserve</u>	<u>Electric Bond/Interest Reserve</u>	<u>Electric Meter Deposits</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 9,720	\$ 9,720
-	-	-	10,079	10,079
-	-	-	(359)	(359)
3,536	2,704	7,923	236	17,319
-	-	-	-	900
-	-	-	-	(429,157)
<u>3,536</u>	<u>2,704</u>	<u>7,923</u>	<u>236</u>	<u>(410,938)</u>
<u>3,536</u>	<u>2,704</u>	<u>7,923</u>	<u>(123)</u>	<u>(411,297)</u>
-	-	2,969	-	2,969
-	-	-	-	436,800
-	-	(140,000)	-	(140,000)
-	-	-	-	-
-	-	(137,031)	-	299,769
3,536	2,704	(129,108)	(123)	(111,528)
<u>160,929</u>	<u>129,459</u>	<u>549,721</u>	<u>13,132</u>	<u>1,101,860</u>
<u>\$ 164,465</u>	<u>\$ 132,163</u>	<u>\$ 420,613</u>	<u>\$ 13,009</u>	<u>\$ 990,332</u>
\$ -	\$ -	\$ -	\$ 13,009	\$ 13,009
-	-	-	-	259,182
164,465	132,163	420,613	-	718,141
-	-	-	-	-
<u>\$ 164,465</u>	<u>\$ 132,163</u>	<u>\$ 420,613</u>	<u>\$ 13,009</u>	<u>\$ 990,332</u>

See accompanying independent auditor's report.

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Enterprise Funds - Water

As of and For the Year Ended June 30, 2004

	<u>Water Revenue Bond Reserve</u>	<u>Water Operating</u>	<u>Water Meter Deposits</u>	<u>Totals</u>
OPERATING RECEIPTS:				
Licenses and permits	\$ -	\$ 605	\$ -	\$ 605
Charges for services	-	526,813	-	526,813
Miscellaneous	-	34,255	4,010	38,265
	<u>-</u>	<u>561,673</u>	<u>4,010</u>	<u>565,683</u>
Total operating receipts	-	561,673	4,010	565,683
OPERATING DISBURSEMENTS:				
Business-type activities:				
Water	-	267,740	3,093	270,833
	<u>-</u>	<u>267,740</u>	<u>3,093</u>	<u>270,833</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	-	293,933	917	294,850
	<u>-</u>	<u>293,933</u>	<u>917</u>	<u>294,850</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	497	899	20	1,416
Debt service	(268,635)	-	-	(268,635)
	<u>(268,635)</u>	<u>-</u>	<u>-</u>	<u>(268,635)</u>
Net nonoperating receipts (disbursements)	(268,138)	899	20	(267,219)
	<u>(268,138)</u>	<u>899</u>	<u>20</u>	<u>(267,219)</u>
Excess (deficiency) of receipts over (under) disbursements	(268,138)	294,832	937	27,631
	<u>(268,138)</u>	<u>294,832</u>	<u>937</u>	<u>27,631</u>
OTHER FINANCING SOURCES (USES):				
Interfund loan	-	-	-	-
Operating transfers in	278,761	22,953	-	301,714
Interfund loan advance	-	-	-	-
Operating transfers out	-	(289,120)	-	(289,120)
	<u>-</u>	<u>(289,120)</u>	<u>-</u>	<u>(289,120)</u>
Net other financing sources (uses)	278,761	(266,167)	-	12,594
	<u>278,761</u>	<u>(266,167)</u>	<u>-</u>	<u>12,594</u>

	<u>Water Revenue Bond Reserve</u>	<u>Water Operating</u>	<u>Water Meter Deposits</u>	<u>Totals</u>
NET CHANGE IN CASH BALANCE	10,623	28,665	937	40,225
CASH BALANCE, BEGINNING	<u>55,935</u>	<u>179,229</u>	<u>3,382</u>	<u>238,546</u>
CASH BALANCE, ENDING	<u>\$ 66,558</u>	<u>\$ 207,894</u>	<u>\$ 4,319</u>	<u>\$ 278,771</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Deposits	\$ -	\$ -	\$ 4,319	\$ 4,319
Debt Service	66,558	-	-	66,558
Other purposes	-	-	-	-
Unreserved	<u>-</u>	<u>207,894</u>	<u>-</u>	<u>207,894</u>
Total cash basis fund balance	<u>\$ 66,558</u>	<u>\$ 207,894</u>	<u>\$ 4,319</u>	<u>\$ 278,771</u>

See accompanying independent auditor's report.

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Enterprise Funds - Gas

As of and For the Year Ended June 30, 2004

	<u>Gas D.E.I.</u>	<u>Gas Surplus</u>	<u>Gas Meter Deposits</u>	<u>Totals</u>
OPERATING RECEIPTS:				
Miscellaneous	\$ -	\$ -	\$ 8,915	\$ 8,915
OPERATING DISBURSEMENTS:				
Business-type activities:				
Gas	-	47,419	8,923	56,342
Excess (deficiency) of operating receipts over (under) operating disbursements	-	(47,419)	(8)	(47,427)
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	223	8,292	59	8,574
Debt service	-	-	-	-
Net nonoperating receipts (disbursements)	223	8,292	59	8,574
Excess (deficiency) of receipts over (under) disbursements	223	(39,127)	51	(38,853)
OTHER FINANCING SOURCES (USES):				
Interfund loan	-	-	-	-
Operating transfers in	-	-	-	-
Interfund loan advance	-	-	-	-
Operating transfers out	-	-	-	-
Net other financing sources (uses)	-	-	-	-

	<u>Gas D.E.I.</u>	<u>Gas Surplus</u>	<u>Gas Meter Deposits</u>	<u>Totals</u>
NET CHANGE IN CASH BALANCE	223	(39,127)	51	(38,853)
CASH BALANCE, BEGINNING	<u>12,853</u>	<u>462,075</u>	<u>11,125</u>	<u>486,053</u>
CASH BALANCE, ENDING	<u>\$ 13,076</u>	<u>\$ 422,948</u>	<u>\$ 11,176</u>	<u>\$ 447,200</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Deposits	\$ -	\$ -	\$ 11,176	\$ 11,176
Other purposes	13,076	422,948	-	436,024
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 13,076</u>	<u>\$ 422,948</u>	<u>\$ 11,176</u>	<u>\$ 447,200</u>

See accompanying independent auditor's report.

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Enterprise Funds - Wastewater

As of and For the Year Ended June 30, 2004

	Wastewater Debt Service	Wastewater Treatment	Totals
OPERATING RECEIPTS:			
Charges for services	\$ -	\$ 482,624	\$ 482,624
Miscellaneous	<u>-</u>	<u>233</u>	<u>233</u>
Total operating receipts	<u>-</u>	<u>482,857</u>	<u>482,857</u>
OPERATING DISBURSEMENTS:			
Business-type activities:			
Wastewater	<u>-</u>	<u>198,019</u>	<u>198,019</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>-</u>	<u>284,838</u>	<u>284,838</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	408	165	573
Debt service	<u>(883)</u>	<u>-</u>	<u>(883)</u>
Net nonoperating receipts (disbursements)	<u>(475)</u>	<u>165</u>	<u>(310)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(475)</u>	<u>285,003</u>	<u>284,528</u>
OTHER FINANCING SOURCES (USES):			
Interfund loan	-	-	-
Operating transfers in	180,880	10,165	191,045
Interfund loan advance	-	-	-
Operating transfers out	<u>-</u>	<u>(253,391)</u>	<u>(253,391)</u>
Net other financing sources (uses)	<u>180,880</u>	<u>(243,226)</u>	<u>(62,346)</u>
NET CHANGE IN CASH BALANCE	180,405	41,777	222,182
CASH BALANCE, BEGINNING	<u>29,227</u>	<u>9,809</u>	<u>39,036</u>
CASH BALANCE, ENDING	<u>\$ 209,632</u>	<u>\$ 51,586</u>	<u>\$ 261,218</u>

	<u>Wastewater Debt Service</u>	<u>Wastewater Treatment</u>	<u>Totals</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt Service	209,632	-	209,632
Other purposes	-	-	-
Unreserved	<u>-</u>	<u>51,586</u>	<u>51,586</u>
Total cash basis fund balance	<u>\$ 209,632</u>	<u>\$ 51,586</u>	<u>\$ 261,218</u>

See accompanying independent auditor's report.

CITY OF TIPTON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Nonmajor Enterprise Funds - Other

As of and For the Year Ended June 30, 2004

	Communications <u>Local Access</u>	Airport <u>Operating</u>	Garbage <u>Collection</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	19,445	5,820	284,706
Miscellaneous	<u>-</u>	<u>15,904</u>	<u>1,941</u>
Total operating receipts	<u>19,445</u>	<u>21,724</u>	<u>286,647</u>
OPERATING DISBURSEMENTS:			
Business-type activities:			
Communications	5,662	-	-
Airport	-	24,712	-
Garbage	-	-	337,284
Cemetery	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>5,662</u>	<u>24,712</u>	<u>337,284</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>13,783</u>	<u>(2,988)</u>	<u>(50,637)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	129	559	4,250
Rents	-	-	1,307
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>129</u>	<u>559</u>	<u>5,557</u>
Excess (deficiency) of receipts over (under) disbursements	<u>13,912</u>	<u>(2,429)</u>	<u>(45,080)</u>
OTHER FINANCING SOURCES (USES):			
Interfund loan	-	-	-
Operating transfers in	-	15,975	-
Interfund loan advance	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>15,975</u>	<u>-</u>

<u>Cemetery Enterprise</u>	<u>Totals</u>
\$ 1,383	\$ 1,383
11,310	321,281
<u>9,493</u>	<u>27,338</u>
<u>22,186</u>	<u>350,002</u>
-	5,662
-	24,712
-	337,284
<u>40,144</u>	<u>40,144</u>
<u>40,144</u>	<u>407,802</u>
<u>(17,958)</u>	<u>(57,800)</u>
2,069	7,007
-	1,307
<u>-</u>	<u>-</u>
<u>2,069</u>	<u>8,314</u>
<u>(15,889)</u>	<u>(49,486)</u>
-	-
19,538	35,513
-	-
<u>-</u>	<u>-</u>
<u>19,538</u>	<u>35,513</u>

(continued)

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Enterprise Funds - Other

As of and For the Year Ended June 30, 2004

	Communications <u>Local Access</u>	<u>Airport Operating</u>	<u>Garbage Collection</u>
NET CHANGE IN CASH BALANCE	13,912	13,546	(45,080)
CASH BALANCE, BEGINNING	<u>22,326</u>	<u>47,416</u>	<u>281,114</u>
CASH BALANCE, ENDING	<u><u>\$ 36,238</u></u>	<u><u>\$ 60,962</u></u>	<u><u>\$ 236,034</u></u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt Service	-	-	-
Other purposes	-	-	-
Unreserved	<u>36,238</u>	<u>60,962</u>	<u>236,034</u>
Total cash basis fund balance	<u><u>\$ 36,238</u></u>	<u><u>\$ 60,962</u></u>	<u><u>\$ 236,034</u></u>

<u>Cemetery Enterprise</u>	<u>Totals</u>
3,649	(13,973)
<u>31,104</u>	<u>381,960</u>
<u>\$ 34,753</u>	<u>\$ 367,987</u>
\$ -	\$ -
-	-
-	-
<u>34,753</u>	<u>367,987</u>
<u>\$ 34,753</u>	<u>\$ 367,987</u>

See accompanying independent auditor's report.

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Internal Service Funds**

As of and For the Year Ended June 30, 2004

	<u>Central Garage</u>	<u>PSF Health Insurance</u>	<u>City Reserve</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ 4,484	\$ 55,708	\$ -
OPERATING DISBURSEMENTS:			
General government	<u>164,933</u>	<u>60,040</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(160,449)</u>	<u>(4,332)</u>	<u>-</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	6,824	8	9,012
Rents	117,529	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>124,353</u>	<u>8</u>	<u>9,012</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(36,096)</u>	<u>(4,324)</u>	<u>9,012</u>
OTHER FINANCING SOURCES (USES):			
Interfund loan	-	-	-
Operating transfers in	2,348	-	-
Interfund loan advance	-	-	(165,000)
Operating transfers out	<u>(4,334)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(1,986)</u>	<u>-</u>	<u>(165,000)</u>
NET CHANGE IN CASH BALANCE	(38,082)	(4,324)	(155,988)
CASH BALANCE, BEGINNING	<u>349,596</u>	<u>4,324</u>	<u>345,063</u>
CASH BALANCE, ENDING	<u>\$ 311,514</u>	<u>\$ -</u>	<u>\$ 189,075</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt Service	-	-	-
Other purposes	311,514	-	189,075
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 311,514</u>	<u>\$ -</u>	<u>\$ 189,075</u>

<u>Adminis- trative Services</u>	<u>Payroll Account</u>	<u>Totals</u>
\$ 52,569	\$ 5,104	\$ 117,865
<u>50,446</u>	<u>6,308</u>	<u>281,727</u>
<u>2,123</u>	<u>(1,204)</u>	<u>(163,862)</u>
-	-	15,844
-	-	117,529
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>133,373</u>
<u>2,123</u>	<u>(1,204)</u>	<u>(30,489)</u>
-	-	-
-	-	2,348
-	-	(165,000)
<u>-</u>	<u>-</u>	<u>(4,334)</u>
<u>-</u>	<u>-</u>	<u>(166,986)</u>
2,123	(1,204)	(197,475)
<u>-</u>	<u>6,143</u>	<u>705,126</u>
<u>\$ 2,123</u>	<u>\$ 4,939</u>	<u>\$ 507,651</u>
\$ -	\$ -	\$ -
-	-	-
2,123	4,939	507,651
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,123</u>	<u>\$ 4,939</u>	<u>\$ 507,651</u>

See accompanying independent auditor's report.

CITY OF TIPTON
Schedule of Indebtedness
Year Ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Water and sewer refunding	May 1, 1994	4.45-4.0%	\$ 800,000
General obligation notes:			
Street improvement	February 1, 2002	3.50-4.45%	555,000
Water improvement	March 1, 2002	3.00-4.25%	900,000
Street improvement	May 1, 2003	1.50-3.90%	1,500,000
Total			
Revenue bonds:			
Sewer revenue	June 30, 2003	3.00%	3,200,000
Revenue notes:			
Electric revenue	November 1, 1998	4.10-4.35%	2,265,000
Water revenue	July 1, 2002	4.25-5.40%	1,305,000
Total			
Capital lease obligations:			
Copier and related equipment	November 1, 2002	6.50%	40,943
Total indebtedness			

Schedule 9

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 80,000	\$ -	\$ 80,000	\$ -	\$ 2,870	\$ -
390,000	-	70,000	320,000	16,168	-
740,000	-	175,000	565,000	28,763	-
<u>1,500,000</u>	<u>-</u>	<u>130,000</u>	<u>1,370,000</u>	<u>47,864</u>	<u>-</u>
<u>2,710,000</u>	<u>-</u>	<u>455,000</u>	<u>2,255,000</u>	<u>95,665</u>	<u>-</u>
-	-	-	-	-	-
2,265,000	-	340,000	1,925,000	88,858	-
<u>1,305,000</u>	<u>-</u>	<u>-</u>	<u>1,305,000</u>	<u>64,273</u>	<u>-</u>
<u>3,570,000</u>	<u>-</u>	<u>340,000</u>	<u>3,230,000</u>	<u>153,131</u>	<u>-</u>
<u>36,111</u>	<u>-</u>	<u>7,302</u>	<u>28,809</u>	<u>1,830</u>	<u>-</u>
<u>\$ 6,316,111</u>	<u>\$ -</u>	<u>\$ 802,302</u>	<u>\$ 5,513,809</u>	<u>\$ 250,626</u>	<u>\$ -</u>

This information should be read only in connection with
the accompanying independent auditor's report.

CITY OF TIPTON
Bond and Note Maturities
June 30, 2004

Year Ending <u>June 30,</u>	General Obligation Debt					
	<u>2002 Street Improvement</u>		<u>2002 Water Improvement</u>		<u>2003 Street Improvement</u>	
	<u>Issued February 1, 2002</u>		<u>Issued March 1, 2002</u>		<u>Issued May 1, 2003</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2005	4.00 %	\$ 75,000	3.75 %	\$ 180,000	1.85 %	\$ 135,000
2006	4.15 %	80,000	4.00 %	190,000	2.25 %	140,000
2007	4.30 %	80,000	4.25 %	195,000	2.60 %	145,000
2008	4.45 %	85,000		-	2.90 %	145,000
2009		-		-	3.15 %	150,000
2010		-		-	3.35 %	155,000
2011		-		-	3.55 %	160,000
2012		-		-	3.75 %	165,000
2013		-		-	3.90 %	175,000
Total		<u>\$ 320,000</u>		<u>\$ 565,000</u>		<u>\$1,370,000</u>

Year Ending <u>June 30,</u>	Revenue Debt			
	<u>Electric Revenue Note</u>		<u>Water Revenue Note</u>	
	<u>Issued April 1, 1999</u>		<u>Issued October 1, 2002</u>	
	<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2005	4.15 %	\$ 355,000		\$ -
2006	4.20 %	370,000		-
2007	4.25 %	385,000		-
2008	4.30 %	400,000	4.25 %	105,000
2009	4.35 %	415,000	4.40 %	110,000
2010		-	4.55 %	115,000
2011		-	4.70 %	120,000
2012		-	4.85 %	125,000
2013		-	5.00 %	130,000
2014		-	5.10 %	140,000
2015		-	5.20 %	145,000
2016		-	5.30 %	155,000
2017		-	5.40 %	160,000
Total		<u>\$1,925,000</u>		<u>\$1,305,000</u>

CITY OF TIPTON

Comparison of Tax and Intergovernmental Receipts

	<u>Years Ended June 30,</u>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Property tax	\$ 709,903	\$ 679,521	\$ 690,172	\$ 640,461
Tax increment financing collections	<u>183,109</u>	<u>186,012</u>	<u>147,999</u>	<u>248,144</u>
Other city tax:				
Mobile home tax	6,034	3,621	-	-
Local option tax	<u>184,995</u>	<u>160,117</u>	<u>-</u>	<u>-</u>
	<u>191,029</u>	<u>163,738</u>	<u>-</u>	<u>-</u>
Intergovernmental:				
Road use tax	262,772	257,242	252,708	243,526
State allocation	-	27,336	29,565	43,013
Personal property tax replacement	-	11,776	-	-
Rural assistance	10,746	10,294	9,436	10,064
Grants	263,445	93,320	-	1,416
Bank franchise tax	9,379	5,537	7,837	4,399
Assessments	41,693	41,151	-	-
Other	<u>6,443</u>	<u>8,311</u>	<u>1,875</u>	<u>16,320</u>
	<u>594,477</u>	<u>454,967</u>	<u>301,421</u>	<u>318,738</u>
Total	<u>\$ 1,679,902</u>	<u>\$ 1,484,238</u>	<u>\$ 1,139,592</u>	<u>\$ 1,207,343</u>

This information should be read only in connection with
the accompanying independent auditor's report.

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

To the Honorable Mayor and
Members of the City Council

We have audited the financial statements of the City of Tipton, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Tipton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. There were no prior year statutory comments.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tipton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Tipton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the Mayor and City Council, employees and citizens of the City of Tipton and those parties to whom the City of Tipton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tipton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 30, 2004

CITY OF TIPTON
Schedule of Findings
Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

I-A-04 Segregation of duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that any employee in the office can open mail, list out cash receipts and make bank deposits. Also, the individual responsible for maintaining cash records performs the monthly bank reconciliations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will review their present internal control procedures and will consider additional review procedures where practical.

Conclusion - Response accepted. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF TIPTON
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Disbursements - We noted one disbursement that failed to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The City should not pay for meals at restaurants for employees..

Response - We will stop doing so in the future.

Conclusion - Response accepted.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - We noted the following business transaction between the City and City officials or employees:

 David Farm Equipment, Council Member, Dave Starr \$ 94.36

 As the amount is less than \$1,500, it does not appear to be a conflict of interest as defined by Chapter 362.5 of the Code of Iowa.

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Council Minutes - We noted no transactions that we believe should have been approved in the council minutes and were not.

II-H-04 Revenue Notes - As of June 30, 2004, the City was not in compliance with the funding and payment provisions of the revenue note resolutions as follows:

 The City did not generate net revenues from electric operation equal to at least 125% of the average annual installments for all bonds and notes outstanding.

Recommendation - The City should review the electric rates, and disbursements and budget receipts and disbursements so net revenues from electric operations equal at least 125% of the average annual installments of all bonds and notes outstanding.

CITY OF TIPTON

Schedule of Findings

Year Ended June 30, 2004

Part II: Findings Related to Statutory Reporting (continued)

Response - We will review the electric operations to meet this provision. The 1998 electric revenue bonds are now completely redeemed so this provision will not apply in the future.

Conclusion - Response accepted.

II-I-04 The City did not deposit the minimum required balance of \$130,000 in the Water Reserve Fund.

Recommendation - The City should review net revenues from water operations and deposit amounts in the reserve fund to bring up to the minimum required balance.

Response - We will do this.

Conclusion - Response accepted.

II-J-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-K-04 Unclaimed Property Reporting - As of June 30, 2004, the City had not reported unclaimed property in its possession to the Treasurer of the State of Iowa on an annual basis by November 1st as required by Chapter 556.11 of the Code of Iowa.

Recommendation - The City should report unclaimed property to the Treasurer of the State of Iowa by November 1st of each year.

Response - We will prepare the report in the future.

Conclusion - Response accepted.

II-L-04 Financial Condition - The Special Revenue Fund, Tax Increment Financing Capital Improvement Fund had a deficit balance at June 30, 2004 of \$97,872. The Capital Projects, Wastewater Project Fund had a deficit balance at June 30, 2004 of \$2,238,118.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The deficit was due to construction costs incurred prior to receipt of a state grant. The deficit was subsequently eliminated.

Conclusion - Response accepted.

CITY OF TIPTON
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to Statutory Reporting (continued)

II-M-04 Delinquent Accounts - The City had one employee on the delinquent accounts utility billings report.

Recommendation - The City should monitor the delinquent accounts utility billings report more closely to keep this from happening.

Response - We will do so.

Conclusion - Response accepted.

CITY OF TIPTON

Audit Staff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Andrew J. Johnson, Senior Associate

Jim Fitzpatrick, CPA, Associate

Justin Zimmerman, Associate